

Message Text

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AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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USMISSION GENEVA

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SUBJECT: TELECOMMUNICATIONS: MARKET POSSIBILITIES

REF: BEIRUT A-205, OCT. 17, 1974

SUMMARY: VISITING TELECOMMUNICATIONS EXPERT OBTAINED FOLLOWING USEFUL PICTURE ARAB WORLD TELECOMMUNICATIONS NEEDS. INFO CAN BE USED FOR BACKGROUND BRIEFING US INDUSTRY BUT SOURCE SHOULD NOT BE IDENTIFIED. SOURCE FORESEES FOLLOWING POSSIBILITIES: 1) UP TO SIX SATELLITES FOR ARAB SATELLITE PROJECT, 2) \$20 BILLION TELEPHONE EQUIPMENT MARKET ARAB LEAGUE MEMBERS, 3) \$200 MILLION TELEPHONE EQUIPMENT MARKET LEBANON. END SUMMARY:

1. PRIVATE INDUSTRY COMMUNICATIONS EXPERT RALPH ANAVY ON TDY FOR COMMERCE RTDO CATALOGUE SHOW CALLED ON LEBANON PTT TELECOMMUNICATIONS DG MAURICE GHAZAL SHORTLY BEFORE LATTER LEFT FOR LIMITED OFFICIAL USE

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ARAB SATELLITE MEETING KUWAIT AND VISIT TO GENEVA. GHAZAL IS

PRESIDENT OF ARAB SATELLITE SPECIAL COMMITTEE AND VICE PRESIDENT OF BOARD OF INTERNATIONAL UNION OF TELECOMMUNICATIONS, GENEVA (HE EXPECTS TO BECOME ITS PRESIDENT NEXT MONTH). HE SAID FOLLOWING OF INTEREST BUT SHOULD NOT BE IDENTIFIED AS SOURCE.

2. KUWAIT SATELLITE MEETING MAY TAKE FINAL DECISIONS ON MANY IMPORTANT ASPECTS OF ARAB SATELLITE PROJECT. HE THINKS ONLY AMERICAN FIRMS CAN HANDLE MOST OF PROJECT ALTHOUGH THERE SCOPE FOR OTHERS IN GROUND EQUIPMENT AREAS. MENTIONED PROBABILITY TOW SATELLITES INITIALLY KONE FOR BACK-UP) AND LONG-TERM POSSIBILITY OF SIX.

3. MIDDLE EAST TELECOMMUNICATIONS NEEDS ARE HUGE AND LEBANON GOOD BASE FOR PROMOTING EQUIPMENT AND SYSTEMS OF US FIRMS IN REGION. HOWEVER, HE THINKS THAT JOINT EFFORTS WITH EUROPEAN, ESPECIALLY FRENCH, FIRMS, GENERALLY ADVISABLE FOR BOTH POLITICAL REASONS AND FACT THAT MARKET LARGE ENOUGH FOR 50/50 SHARING. EUROPEAN COUNTRIES ALONE, HE THINKS, LACK CAPACITY MEET GROWTH IN REGION'S DEMAND AND ARE BEHIND IN TECHNOLOGY.

4. WHAT REGIONAL MARKET REQUIRES MOST IS SYSTEMS APPROACH, A LONG-RANGE, WELL-COORDINATED, HIGH-POWERED GOVERNMENT MARKETING PROGRAM, NOT SO MUCH AGENTS OR REPRESENTATIVES OF INDIVIDUAL FIRMS.

5. ANOTHER PRESSING REQUIRMENT COMMON THROUGHOUT REGION IS LACK OF TRAINED TELECOMMUNICATIONS OPERATIONAL AND MAINTENANCE MAN-POWER. THIS MEANS THAT MANY PROJECTS WILL GO BEYOND TURNKEY TO PROVISION ON LONG-TERM BASIS OF MANAGEMENT, TRAINING, OPERATIONS, MAINTENANCE AND TECHNICAL CONSULTING, E.E., FIRMS SHOULD BE PREPARED OFFER BOTH THE HARDWARE AND SOFTWARE IN FORM OF PERSONNEL TO RUN THE PROJECT.

6. ONLY LARGE FIRMS HAVE ABILITY TO TACKLE THE MARKET POTENTIAL AVAILABLE AND EXPECTED. BEST SUITED ARE GTE, ITT, NORTHERN ELECTRIC AND WESTERN ELECTRIC. HE PREFERS TO DEAL WITH LARGE SYSTEM-INTEGRATED COMPANIES ALTHOUGH HE WILL HELP SMALLER FIRMS ESTABLISH DISTRIBUTION LOCALLY.

7. ASIDE FROM THE SATELLITE PROJECT, HE PUT ARAB WORLD (ARAB LEAGUE MEMBERS) TELEPHONE EQUIPMENT NEEDS OVER NEXT SIX YEARA AT LIMITED OFFICIAL USE

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10 MILLION LINES, ESTIMATING ONE LINE PER 10 PERSONS, 100 MILLION PEOPLE. AT ABOUT \$2000 PER LINE, THIS IS \$20 BILLION MARKET.
(SEE COMMENT.)

8. FOR LEBANON, HE PUT MEDIUM-TERM REQUIREMENTS NEXT SIX YEARS AT 180,000 LINES, OF WHICH 80,000 ARE NETWORK EXTENSION LINES ALREADY AWARDED TO LMT AND ERICSSON, LEAVING 100,000 LINES WORTH \$200 MILLION. CCITT SPECIFICATIONS NOW IN FORCE FOR LOCAL

NETWORKS FAVOR EUROPEANS BUT SWITCHING PLANT, PRESENTLY CROSSBAR, MAY BE EXTENDED USING ELECTRONIC SWITCHING, WHICH WOULD FAVOR AMERICAN EQUIPMENT, ALTHOUGH THIS DECISION NOT YET MADE.

COMMENT: ABOVE IS LEGITIMATE COMMERCIAL MARKETING INTELLIGENCE FROM ONE OF REGION'S FEW EXPERTS THIS FIELD. GHAZAL IS SENSITIVE ABOUT HIS INTERNATIONAL POSITION AND THEREFORE SHOULD BE PROTECTED. HIS STRESS ON US/EUROPEAN MARKET SHARING PRESUMABLY STEMS FROM HIS ESTIMATE OF PRODUCTION AND MARKET CAPACITY AS WELL AS FROM HIS DIVIDED LOYALTIES; HE ADMIRES US TECHNOLOGY BUT IS FRENCH-EDUCATED (SORBONNE AND PARIS SCHOOL OF TELECOMMUNICATIONS) AND FORMER EMPLOYEE OF LMT AND ERICSSON. GHAZAL'S SPECIFIC REGIONAL MARKET ESTIMATE PARA. 7 WAS CASUAL AND IS CONSIDERED OVERLY OPTIMISTIC BY OUR INDUSTRY EXPERT, WHO WOULD PUT ARAB LEAGUE MEMBERS' TELEPHONE REQUIREMENTS NEXT FIVE YEARS AT ONE TO TWO MILLION LINES WORTH ABOUT \$2-4 BILLION AT \$2000/LINE. EXPERT AGREES THERE MANY OPPORTUNITIES FOR US EXPERTISE AND TECHNOLOGY, PARTICULARLY IN MANAGEMENT, TRAINING AND MAINTENANCE CONTRACTS AND IN SWITCHING, MICROWAVE ELECTRONIC TRANSMISSION AND SATELLITE NETWORK EQUIPMENT. FROM EMBASSY VIEWPOINT THIS WAS GOOD OPPORTUNITY CULL BRAINS TWO EXPERTS THIS SOMETIMES ESOTERIC FIELD.
GODLEY

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